

Introduction: The Return of Great Power Competition

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The Pacific Islands region has entered a new period of uncertainty precipitated in large part by the emergence of China as a major regional actor as well as the reaction of more established powers to perceived threats to their longstanding influence. In March 2019, in the wake of a flurry of activity on the part of Australia, New Zealand and the United States aimed at countering China's growing influence in the Pacific Islands, Deputy Secretary General of the Pacific Islands Forum Cristelle Pratt declared that 'great power competition is back!' before suggesting that 'Our task is to find an appropriate balance between leveraging the *competition* between partners and ensuring peace and *cooperation* prevails in our Blue Pacific' (Pratt 2019, emphasis in original). We will argue here that although Island leaders have been remarkably successful at leveraging competition, this may not always be possible when great power strategic interests are at stake. Indeed, Pacific Island leaders may have no option but to take sides in the event that cooperation gives way to great power conflict somewhere in the vast expanses of the Pacific Ocean.

Great power competition

In 2006 Beijing signalled heightened interest in the Pacific Islands with the first China–Pacific Islands Countries Economic Development and Cooperation Forum held in Fiji. Since then, China has become firmly established as a major trade, aid, investment and diplomatic partner in the region, and Chinese companies are increasingly active in resource extraction, construction and commerce. Long-established external actors

in the region first responded cautiously to China's spectacular rise, perhaps because Beijing was at pains not to confront them directly in regional or global affairs. The Chinese Communist Party (CCP), led by Hu Jintao, even backed away from the doctrine of 'China's peaceful rise' (Zheng 2005) on the grounds that 'rise' sounded threatening (Glaser and Medeiros 2007). An analysis of China's foreign policy community written at the beginning of President Xi Jinping's rule concluded that it was not monolithic, running the full spectrum of nativists and realists at one end to selective multilateralists and globalists at the other (Shambaugh 2013:13–44). While realists were thought to hold the upper hand, the author held open the possibility of a shift in either direction.

A number of recent developments mark the arrival of a new phase in the relationship, occasioned in the first instance by Xi Jinping's more assertive posture on the world stage. Since assuming leadership in 2012, Xi has consolidated his hold on domestic power and articulated a series of highly ambitious initiatives, including the nationalistic 'China Dream' that imagines China 'rejuvenated' and restored to its proper place in the world, with the Belt and Road investment and infrastructure program forging trade corridors across vast swathes of Asia, Africa, the Middle East, the Americas, Oceania and Europe (see, for example, Bradsher 2020). It is clear the nativists in China's foreign policy community now hold sway. Xi's global posture effectively marks the end of Deng Xiaoping's influential foreign policy dictum of 'hide and bide', whereby China adopted low-profile diplomacy and put aside any aspirations towards world leadership.

Beijing has also restructured its institutions to reflect a more proactive approach to diplomacy. A new aid agency (Zhang 2018) has been created to address shortcomings in the delivery of China's development assistance—and in particular to resolve tensions and coordination problems between the Ministry of Foreign Affairs, the Ministry of Commerce and more than 20 other agencies involved in China's foreign aid system (Zhang and Smith 2017). Significantly for Pacific Island nations with large Chinese populations, the organisation responsible for managing Chinese communities abroad, the Office of Overseas Chinese Affairs, was merged into the CCP's United Front Work Department (UFWD). This move to subsume a long-established government department within a party organ is both part of a broader trend of greater CCP control in matters designated as 'core' to the national interest (the offices of ethnic and religious affairs were also integrated with the UFWD) and part of more assertive and racialised nationalism that views overseas Chinese

as ‘all sons and daughters of the Chinese nation bounded by Chinese blood’ (Groot 2017). Binding these bureaucratic shifts is a change in the CCP’s framing of diplomacy as ‘major country diplomacy with Chinese characteristics’, which ‘aims to foster a new type of international relations and build a community with a shared future for mankind diplomacy’ (Xinhua 2017:6, 17). In the same report, delivered in October 2017 at the 19th CCP National Party Congress, President Xi made it clear that the ‘defining feature’ of ‘Chinese characteristics’ is ‘the leadership of the Communist Party of China’ (ibid.:17).

All of this puts China at odds with the United States, which for decades was prepared to facilitate China’s economic rise in return for investment and trade benefits accruing to US corporations and consumers, accompanied by the tacit assumption that with prosperity China would democratise and become more ‘like us’. Few hold this illusion now. Not only does China’s rate of economic growth continue to outstrip the US, but structural changes in the domestic economy, away from labour-intensive manufacturing to new industries based on China-controlled technology, explicitly backed by the (now seldom mentioned) Made in China 2025 policy, pose a direct challenge to the economic and military power underpinning US global dominance since World War II. Furthermore, an accelerated military build-up under President Xi, provocative actions in the South China Sea, a more aggressive attitude to Taiwan’s reincorporation with ‘the motherland’ as well as China’s recent efforts to expand its influence overseas represent a variety of challenges to the established global order and the central role of the United States.

The Pacific Islands region is not on the geographic, strategic or economic frontlines of this new Cold War (see Wesley-Smith, Chapter 2, this volume). As argued by Zhou Fangyin in Chapter 7, there is little evidence that Beijing has attached high priority to strategic, political or economic interests in Oceania, nor has it singled out the region for special attention. This is not the case elsewhere, particularly in Asia where President Xi has explicitly challenged US leadership aspirations and where the rival powers compete fiercely over jurisdictional issues in the South China Sea and the East China Sea, the militarisation of China’s ‘near seas’ periphery and the future status of Taiwan. Nevertheless, Western powers have exercised considerable influence in the Pacific Islands since the colonial era and in many ways this is an important characteristic—while nations in

sub-Saharan Africa can be considered genuinely postcolonial, most Pacific Island nations are still strongly influenced by former (and, in some cases, current) colonial powers France, Australia, New Zealand or the US.

Each of these four metropolitan powers have announced new foreign policy initiatives explicitly or implicitly designed to counter China's growing sway in the region. These initiatives are analysed in depth in this book (see Varrall, Chapter 3; Iati, Chapter 4; Finin, Chapter 5; and Maclellan, Chapter 6). Here it will suffice to note the major characteristics of Australia's 'Step-Up' policy, New Zealand's 'Pacific Reset' plan, France's 'great power' ambitions and the renewed focus on Oceania in Washington DC, dubbed the 'Pacific Pledge' in late 2019.

The shared characteristic of these initiatives is that they reflect anxieties about regional security. Security has been a preeminent concern of the Western powers since an expansionist Japan used the Pacific Islands as stepping stones to threaten their interests in the Pacific War, and it was the central consideration during the Cold War when policy initiatives were designed to completely exclude the Soviet Union from the region. Following the collapse of the Soviet Union in 1989, Western regional security policy was recalibrated to reflect concerns about international criminal activity and, after the 9/11 attacks of 2001, the possibility that terrorist groups would become established in politically unstable or 'failing' Pacific Island states (May 2003). The concern today is not only that China has gained economic and diplomatic traction in a region long considered a Western strategic domain, but that Beijing might use its growing influence to establish a military presence. This possibility goes to the heart of long-established defence planning in the US, Australia and New Zealand, which seeks to deny adversaries the ability to project power by sea or air over the ocean spaces surrounding them.

The first public indications of renewed strategic unease came in early 2018 when Australian officials questioned the value of Chinese infrastructure projects in the region and suggested that the loans facilitating these activities had implications for the sovereignty of Pacific Island states. The essential elements of this narrative—that Beijing's lending practices reflected nefarious motives—received a boost in April 2018 when the defence correspondent for *The Sydney Morning Herald* claimed Beijing had approached officials in Vanuatu about establishing a permanent military presence (Wroe 2018). The story focused on upgrades to the Luganville wharf on the island of Espiritu Santo conducted by the state-

owned Shanghai Construction Group, suggesting that the new facility could accommodate Chinese naval vessels. Officials in Vanuatu and China denied these claims and it was later revealed that the contract with the Chinese company did not contain a debt-for-equity clause as earlier claimed. Nevertheless, the idea that China has military aspirations in the region and that Chinese loans could be used to leverage that access, resonates with a wider narrative about China's activities in Djibouti, Sri Lanka, Cambodia and elsewhere, and now appears to be widely accepted by Western security analysts (see, for example, Fox and Dornan 2018).

Whatever its veracity, major elements of Australia's Step-Up policy towards the Pacific Islands region are consistent with Western suspicions of China's motives overseas. From mid-2018 Canberra moved quickly to counter an offer by the Chinese communications technology giant Huawei to construct a fibre optic cable for Solomon Islands and Papua New Guinea, extended a similar offer to Vanuatu and announced the establishment of an AU\$2 billion fund to compete with China's infrastructure development efforts. Programs designed to counter Chinese aid and construction initiatives are supported by increased diplomatic activity on the part of Australia, New Zealand, the US and the United Kingdom. Other aspects of Step-Up that make its security policy foundations clear include the establishment of the Australia Pacific Security College (DFAT 2018), a Pacific Fusion Centre to share information about unlicensed fishing, drug trafficking and other illegal activity, and a bilateral initiative with Fiji to develop the Black Rock Camp into a regional hub for police and peacekeeping training and preparedness. In addition, in late 2018 Australia signed an agreement with Papua New Guinea to develop the Lombrum Naval Base on Manus Island with support from the US. This is significant not only because it includes the planned deployment of Australian naval personnel there, but also because in his speech to APEC in November 2018 Vice President Pence explicitly linked the base to Chinese aggression in the South China Sea (Pence 2018). The Lombrum initiative is emblematic of the increased militarisation of the Pacific Islands region at a time when military aspirations attributed to Beijing are loudly condemned in Canberra. It is also worth noting that a goal of Australia's policy towards the region is further integration of Pacific Island countries 'into Australian and New Zealand economies and our security institutions' (Australian Government 2017; Dobell 2019).

If New Zealand's new policy approach to the Pacific Islands relies heavily on increased aid, diplomatic activity and people-to-people exchanges, the recent ratcheting up of interest in the region in Washington is spearheaded by the Pentagon and fuelled by strategic concerns. As Gerard Finin argues in Chapter 5, US policy in the Pacific Islands region has always been driven by strategic interests. The US maintains a large military presence in Guam, conducts training exercises in the neighbouring Commonwealth of the Northern Mariana Islands (CNMI) and tests missile systems at its Kwajalein base in the Marshall Islands. Central to the US's free association relationships with the Marshall Islands, the Republic of Palau and the Federated States of Micronesia is Washington's exclusive control of the defence of these islands and the ability to deny foreign military access to almost 6 million square kilometres of land, ocean and airspace. Finin details the increased attention in Washington to the upcoming renegotiation of the compacts of free association that tie the US to Marshall Islands, Federated States of Micronesia and Palau, and notes that in May 2019 the leaders of these entities met with President Trump, the first ever such meeting with a US president. He also highlights new outreach efforts to non-US affiliated parts of the region, including visits by senior White House officials to Vanuatu and Solomon Islands, and proposed collaborative initiatives between the Pentagon and military forces in Fiji, Papua New Guinea and Tonga.

The reemergence of the security imperative in Western foreign policy towards the region is important because such policies tend to be pursued more aggressively than would otherwise be the case. The new approach has an absolutist quality reminiscent of the 'strategic denial' policies of the Cold War, where any interaction with the Soviet Union was deemed unacceptable. Obviously, exclusion is not possible in the case of China, but Western officials have made it quite clear that any agreement between Beijing and a Pacific Island country to establish a military facility would cross a red line. They have also raised the spectre of debt-leverage to suggest that Pacific Island governments should avoid further infrastructure borrowing from China.

These priorities are at odds with the policy preferences of the leaders of many Pacific Islands states, who in recent years have worked to define a regional security approach that emphasises threats to Island societies like natural disasters and other environmental concerns. This emphasis on human security is apparent in the Boe Declaration that emerged from the 2018 Nauru meeting of the Pacific Islands Forum (PIF), which identifies

climate change as the primary threat to regional security and makes no mention of foreign powers or military bases, while noting that the region is ‘increasingly crowded and complex’ (PIF Secretariat 2018; see also Fry 2019:264–73).

Caught in between

Before considering the implications of the reemergence of great power competition for Pacific Island nations, it is important to bear in mind that Australia and New Zealand, two of the most significant external actors in the region, are also caught in the middle of the escalating competition between the US and China. Indeed, their own attempts to manoeuvre between the conflicting demands of Washington and Beijing are already reflected in their changing policies towards the region. In other words, the ongoing efforts of policymakers in Canberra and Wellington to resolve these dilemmas will reverberate in the Pacific Islands. They suggest pressures that Pacific Island leaders also face as they walk a diplomatic tightrope between competing great powers.

Since World War II, defence policy in Australia and New Zealand has been built around the assumption of a preeminent US military presence in the Asia-Pacific region as well as an enduring alliance with Washington that would ensure US support should the need arise. Thus, Australia’s *2016 Defence White Paper* identifies the US as Canberra’s ‘most important strategic partner’ and places ‘a strong and deep alliance’ with Washington ‘at the core of Australia’s security and defence planning’ (Australian Government 2016). Although New Zealand’s relationship with Washington has never fully recovered from a rift over nuclear policies in the 1980s, defence statements still emphasise a commitment to the ‘rules-based international order’ led by the US, very close military cooperation with Australia and participation in the Five Eyes intelligence-sharing consortium that includes Canada, Australia, the United Kingdom and the US (New Zealand Government 2018).

If security policy continues to be firmly based on defence relations with the US, in recent years the economies of both countries have become heavily dependent upon China. China is now Australia’s largest trading partner by far, representing 34 per cent of its exports and 24 per cent of its imports in 2018. More than 1.43 million Chinese tourists visit annually (year ending August 2018) and Australia is second only to the US as a destination for

Chinese students, making education Australia's fourth-largest export after iron ore, coal and natural gas (DFAT 2019). Unlike the US, Australia's terms of trade with China are favourable and have led to the country's first current account surplus in 44 years (Cranston 2019). China is also New Zealand's largest trading partner, providing a market for 30 per cent of its dairy products and 24 per cent of its forestry products, as well as being a significant source of investment capital, almost half a million tourists a year and over 30,000 foreign students (MFAT 2017). Both countries are in an unequal relationship with the US and China. Australia and New Zealand need the US as a military partner more than Washington needs them, and any breakdown of economic relations would hurt Australia and New Zealand more than it would hurt China.

At the heart of the debate around whether Australia needs to choose between the US and China is international relations scholar and former deputy secretary for defence Hugh White. He contends that Australia was for many years able to maintain the illusion that 'we can keep relying on China to make us rich while America keeps us safe' because neither China nor the US exerted strong pressure to choose sides (White 2017b). He argues that changed when President Obama announced his pivot to Asia in an address to the Australian Parliament in late 2011. Since the pivot was clearly aimed at containing China, and Australia had agreed to support the effort by hosting US marines in Darwin, it was no longer possible to argue convincingly in Beijing that Canberra was not taking sides in the emerging competition between the US and China. Since then, according to White, Australian officials have had to decide 'how far we can please China without risking a rebuke from Washington. Our government weighs every decision concerning each country in the light of what it will mean for our relations with the other' (White 2017a:47). Similar calculations preoccupy decision-makers in New Zealand.

At times it has been difficult to maintain the correct balance. For example, Australia has been quick to volunteer troops to support US-led conflicts in the Middle East, but was reluctant to send ships to join Washington's 'freedom of navigation' voyages designed to challenge China's maritime claims in the South China Sea. This may have helped reassure Beijing, although not enough to prevent China from sending warships to shadow Australian naval ships traversing the area on other business (Tarabay 2019). It certainly does not please the US, which, according to US Ambassador to Australia Arthur Culvahouse, 'wants Australia to embrace a power role

in the Pacific’ to combat China’s ‘payday loan diplomacy’ in the region (Dayant 2019; Reuters 2019). For its part, New Zealand has struggled to reassure Beijing of its commitment to their multifaceted bilateral relationship in the face of mounting concern by its Five Eyes partners about alleged Chinese infiltration in business and domestic politics.

The cost of getting the balancing act wrong was apparent in early 2019 when Australian coal exports were held up at Chinese ports, allegedly in retaliation for, among other things, Canberra’s abrupt decision to block Huawei from participating in the construction of Australia’s 5G telecommunications network. Parallels have been drawn between the detention of Canadian citizens Michael Spavor and Michael Kovrig and Australian writer Yang Hengjun being held in China and charged with espionage, a crime that carries the death penalty. A senior Australian security analyst described it as ‘hostage diplomacy’ (Medcalf 2019). New Zealand also felt the heat from Beijing in late 2018 when the Government Communications Security Bureau denied a request by Spark, one of the country’s largest telecommunications companies, to use Huawei technology in 5G infrastructure. China deferred the launch event for a major tourist promotion, turned back an Air Zealand flight to Shanghai—supposedly because of deficient paperwork—and postponed for several months a planned state visit to China by New Zealand Prime Minister Jacinda Ardern (Agence France-Presse 2018; Albert 2019; Tobin 2019a).

The increased emphasis on security in the Pacific Islands region, especially in Australia, the return of the Cold War idea of strategic denial, the explicit critique of China’s regional activities by officials in Canberra and Wellington, and Australia’s base initiative in Papua New Guinea suggest that, at least for the moment, these governments have decided to tilt towards Washington and attempt to manage the resulting fallout in relations with Beijing. However, this could change as US–China competition escalates. Domestic politics are a factor here. During the Australian federal election in May 2019, it was apparent that bipartisanship over China had broken down, with the ruling Coalition attempting to capitalise on remarks by former Labor prime minister Paul Keating that the government had been too hawkish on China, that ‘when the security agencies are running foreign policy, the nutters are in charge’, crediting this shift to former Fairfax China correspondent John Garnaut’s classified report on Chinese

influence in Australia. ‘They’ve all gone berko¹ ever since then. [When] you have the ASIO chief knocking on MPs’ doors, you know something’s wrong’ (Keating quoted in Greene and Sweeney 2019). In New Zealand, there are differences within the governing coalition, with former deputy prime minister and foreign minister Winston Peters articulating views on China that were more hawkish than those of others in cabinet, including Prime Minister Ardern (Burton-Bradley 2019).

For the Pacific and Australia, the central questions are how is US–China competition likely to evolve, what policies should be adopted and how will the strategic calculus change as events unfold. Hugh White is convinced that although war is not the inevitable outcome of the US–China struggle for leadership in East Asia, it is a likely result. He suggests that sooner or later the US will back away from an armed conflict with China that could involve nuclear weapons, largely because Washington will realise that US interests in this part of the world are not worth the human and material costs of such a conflagration (White 2019a:234–38). Critiques of White’s work have run along two lines: security analysts, while agreeing with his calls to increase defence spending, maintain that he underestimates US resolve and ability to retain its influence in Asia and the Western Pacific as well as the value of alliances with other states such as India, Indonesia and Japan, while overestimating the inevitability of China’s rise and its capacity to achieve its ends through military means (Goldrick and Graham 2019; Jennings 2019); and that he glosses over the nature of the CCP under Xi Jinping, misunderstands the nature of the Chinese army as an army of the party, rather than the nation, and the non-military means by which Beijing expands its influence (Garnaut 2018). White’s work is remarkably silent on China, dedicating just a few pages to its motivations and including some wishful thinking: ‘We might expect, and certainly hope, that China’s leaders, who are keen students of history, recognise that they would be better off exercising primacy with a light touch’ (White 2019a:41). All sides are remarkably silent on the Pacific itself, despite it being the focus of their threat analyses.

For analysts like White, then, Australia’s immediate interests lie in reducing its strategic dependence on the US, formulating a more independent foreign policy and learning to live with China’s growing power and influence in the region. Others urge Australia and New Zealand to do

1 Australian colloquial term meaning ‘berserk’ (Macquarie Dictionary, 7th edition).

whatever it takes to strengthen their relations with the US-led Western alliance and confront the CCP's attempts to infiltrate domestic politics and influence policy from within. All of this suggests that the foreign policy approaches of Australia and New Zealand towards Pacific Island countries could shift dramatically in the future depending on which school of thought gains most influence in policy circles.

Leveraging the competition?

No matter how strongly promoted, Western policies towards the Pacific Islands have always had to contend with attempts by Island leaders to exercise agency and manage outcomes. Indeed, over the years Pacific Island states have registered remarkable successes in dealing with powerful external actors, despite the apparent disadvantages of small size, lack of resources and aid dependency. Early examples include preventing Japan from dumping nuclear waste in the deep ocean; banning driftnet fishing by distant-water fishing nations; and negotiating a tuna treaty that required the US to change its stated position on the UN Convention on the Law of the Sea (UNCLOS), counter domestic legislation and take on a powerful domestic fishing industry lobby (Tarai 2015). Recent achievements are equally striking as Island countries have worked together in global multilateral settings, often in opposition to the policy preferences of their larger regional partners, to put French Polynesia back on the UN list of territories to be decolonised; include ocean management and climate change as UN Sustainable Development Goals; and make significant contributions to the final text of the 2015 Paris Accord on climate change mitigation and adaptation (Fry and Tarte 2015). As Tarcisius Kabutaulaka points out in Chapter 1, the narrative of 'our Blue Pacific' increasingly invoked by Pacific Island leaders provides a framework for this recent history of assertive diplomacy and 'is premised on the idea of responsibility and stewardship to the region, especially the Pacific Ocean, and through that, to the rest of the world'.

Pacific Island leaders have also managed to resist security policies they did not regard as appropriate, even when those policies have been afforded high priority in Washington, Canberra and Wellington. A key example here is the ultimate failure of the strategic denial imperative, the central tenet of Western policy towards the region during the Cold War, when Kiribati and Vanuatu signed fisheries access treaties with the Soviet Union

despite considerable pressure not to do so (Tarai 2015). It is also worth noting that in late 2018, at the same time that Australia was promoting a new regional security agenda aimed at containing China, Pacific Island leaders agreed to the 2018 Boe Declaration, which contained a very different understanding of security and pushed back against the idea that they should curtail their dealings with Beijing to enhance the security environment.

Pacific Island states have generally welcomed China's increased regional presence and benefited materially from it. According to the Lowy Institute, in the decade after 2006 China committed a total of US\$1.78 billion in aid to the eight Pacific Islands countries that recognised Beijing during this period, as well as providing financial support for regional organisations and funding scholarships for some 1,400 Pacific Island students to study in China (Lowy Institute 2019; Zhang and Marinaccio 2019). Chinese companies and individuals are significant investors in resource extraction and retail across the Pacific. Pacific economies have benefited from trade with China, now the second largest trading partner for the region as a whole. Island economies also stand to benefit from the recent increase in resources committed to the region by Australia, New Zealand and the US, even if the primary purpose of these initiatives is to counter China's influence. Papua New Guinea, for example, is to receive massive funding for rural electrification while, among other things, Solomon Islands and Vanuatu will gain improved fibre optic communications. These resources would probably not have been forthcoming without the emerging great power competition.

Some Island leaders have used China to leverage concessions from other powers. Fiji, for example, turned to China for support as part of its 'Look North' policy in the aftermath of the 2006 coup and its subsequent ostracism by members of the Commonwealth and the PIF. Sandra Tarte outlines how the relationship between Fiji and China has strengthened significantly in recent years. She argues that Fiji rather than China was instrumental in fashioning the relationship: 'Contrary to concerns about China's increasing influence in Fiji, the analysis suggests that Fiji proactively exploited opportunities within this partnership, while maintaining and exercising its autonomy and agency' (Tarte, Chapter 12). Fiji's engagement with China provided an incentive for traditional partners to return after national elections were held in 2014 and some semblance of democracy was restored. As a result, Fiji now has significantly increased foreign policy and defence options. In June 2019 Australian Minister

for Foreign Affairs Marise Payne travelled to Fiji to visit the Black Rock facilities that Australia has agreed to develop; welcome Fiji into the Pacific Labour Scheme; announce an initiative to allow select Fiji athletes to train in Australia; provide a progress report on a joint study on enhanced business opportunities; and report that some Fiji infrastructure projects were under ‘active consideration’ for Australian funding (Payne 2019).

The China–Taiwan struggle for diplomatic recognition is one arena where the ability of island leaders to exercise autonomy and agency will continue to be tested. Before 2008, when a ‘diplomatic truce’ effectively suspended the competition, Pacific Island states were able to leverage significant concessions by playing Beijing and Taipei off against each other. Several Island countries, including Nauru and Vanuatu, switched recognition from one to the other in return for lucrative assistance packages. In one high-stakes case, in 2003 a new government in Kiribati successfully terminated its relationship with Beijing and recognised Taiwan despite the presence of a Chinese satellite-tracking facility on Tarawa (see Zhang, Chapter 8). At the time the so-called cheque-book diplomacy was put on hold, six Pacific Island countries recognised Taiwan. In December 2016, Beijing abandoned the diplomatic truce when China reestablished relations with the African country of Sao Tome and Principe. Since then six other countries, including two in the Pacific, have followed suit, leaving a total of only 15 countries worldwide that recognise Taiwan.

After 2016, Taipei’s Pacific Island allies (Nauru, Kiribati, Tuvalu, Marshall Islands, Palau and Solomon Islands) found themselves subject to intense scrutiny. It is important to review some new factors that have come into play since the earlier round of competition. In a speech on 2 January 2019, President Xi Jinping gave the ‘peaceful reunification’ of Taiwan higher priority:

We make no promise to renounce the use of force and reserve the option of taking all necessary means [to reclaim the island] ... ‘Taiwan independence’ goes against the trend of history and will lead to a dead end (Xinhua 2019).

The strong tenor of the speech was in part a response to Taiwanese President Tsai Ing-wen’s speech 24 hours earlier, where she outlined the ‘four musts’:

I am calling on China that it must face the reality of the existence of the Republic of China (Taiwan); it must respect the commitment of the 23 million people of Taiwan to freedom and democracy; it must handle cross-strait differences peacefully, on a basis of equality; and it must be governments or government-authorized agencies that engage in negotiations (Focus Taiwan 2019).

In recent years the power differential between China and Taiwan has increased dramatically in favour of Beijing. Although there is debate about China's ability to use military means to force a resolution, Beijing is in a position to trump Taipei in a bidding war for recognition using aid packages and other incentives. The other new variable for Pacific Island nations emerged during the Trump administration. The US has long supported Taiwan through arms sales, but recently it has adopted a hard line towards countries that switch to China. Washington was quick to voice its displeasure and even threaten sanctions when Panama and later El Salvador, both countries with long histories of relations with the US, announced they were cutting ties to Taipei and recognising Beijing. In May 2019, the US Acting Assistant Secretary for Southeast Asia, W. Patrick Murphy, urged Pacific Island countries to maintain their relations with Taiwan. He stated that the US was eager to help countries 'protect their sovereignty and their independence, to have viable alternatives ... to meet their development needs, their infrastructure needs, and their nation building needs' (Pandey and Packham 2019). The question of Taiwan recognition has become a component of wider US–China competition. Taiwan's allies in the Pacific are pressed by China to switch, while Taiwan, the US and its Western allies urge them to maintain the status quo.

One front for China's campaign to bring Taiwan's Pacific allies into the fold operates at the regional level, with Beijing bringing intense pressure on the PIF to recognise the One China policy. Although the forum is unlikely to bend to this pressure, the initiative puts Beijing's Pacific allies in a difficult position while sending a warning to countries that recognise Taiwan (Dziedzic 2019). Perhaps in an attempt to reduce the tension, PIF Secretary General Dame Meg Taylor suggests establishing a forum–China dialogue 'in a similar manner to the PALM [Pacific Islands Leaders Meeting] with Japan or the Africa–China Dialogue' that would involve all forum members not just those that recognise Beijing (see Taylor's speech in this volume).

The other, more important, dimension of China's efforts to erode Taiwan's diplomatic space in the Pacific is bilateral, with Beijing deploying a mixture of carrots and sticks to influence Pacific Island choices. Sticks were preferred in the case of Palau, where restrictions imposed by Beijing on tourists heading to this destination resulted in a 45 per cent drop in arrivals from China between 2015 and 2018, and a 31 per cent overall drop in tourist numbers during the same period (Government of Palau 2019). Yet Palau has chosen not to switch, at least for now, perhaps conscious of its many entanglements with the US and confident in the eventual renegotiation of the compact of free association with Washington on favourable terms. Like Palau, and despite a long history of protest regarding the nuclear testing legacy there, Marshall Islands relies heavily on the US for support through the compact of free association and many Marshallese take advantage of free access to the US for education, health care and work. Although there is some support for more Chinese investment in the country, particularly to create a special economic zone on Rongelap Atoll, it is not clear if that might translate into a serious move to recognise Beijing (Tobin 2019b). Such a proposal would be strongly opposed by the US, which regards the relationship as important, not least because of its missile-testing facility on Kwajalein Atoll.

Great power politics were on full display when, in April 2019, a new government was formed in Solomon Islands and announced it was considering switching diplomatic recognition from Taiwan to China (see Aqorau, Chapter 10). Solomon Islands has strong economic ties with China, which is its main export destination (nearly all of its raw logs), and the incentive to switch was an infrastructure-heavy aid package, estimated to be worth US\$500 million, pitched directly to the prime minister and his close advisers by China Civil Engineering Construction Corporation (CCECC), a Chinese state-owned enterprise.² This was countered by the promise of enhanced development assistance from Australia, New Zealand, Japan and the US, which Taiwan's representative in the Solomon Islands referred to as the 'democratic bloc'.³ In a break with protocol, US White House officials travelled to Honiara to lobby Prime Minister Sogavare to remain with the Republic of China, with Vice President Mike Pence adding the weight of his position by correspondence and telephone

2 Interviews with politicians and officials in Honiara July 2019, with second author. See also Everington (2019).

3 Oliver Liao, 12 July 2019. Deputy Head of Mission, Embassy of Taiwan, Honiara. Interview with second author.

(see Kabutaulaka, Chapter 1). Despite pressure from the US and its Western allies, in September 2019 Sogavare announced that Solomon Islands would recognise Beijing, citing the findings of the Bipartisan Task Force and a report from the Ministry of Foreign Affairs and External Trade (Sogavare 2019).

The decision to switch was made despite the reservations of some analysts concerned about Honiara's capacity to manage a relationship with Beijing. In Chapter 10, Transform Aqorau concludes that:

China's funding support may come at the cost of further opening up natural resources to Chinese companies. Given the poor quality of government ... and the poor track record of natural resource management, it is argued that a switch will only exacerbate the already weak governance setting in the Solomon Islands (see also Kabutaulaka 2019).

Similar concerns were expressed by some opposition leaders in Kiribati when the government there unexpectedly decided to recognise China less than a week after Solomon Islands did so (RNZ 2019). According to officials in Taiwan, the switch occurred after Beijing offered to provide support for transport systems, including aircraft and ferries (Lee 2019).

There are no indications that Kiribati's example will be followed in neighbouring Tuvalu, which has close ties to Taiwan in part because of a long history of illegal Taiwanese fishing in its waters (Marinaccio 2019). However, Australia has decided to open a high commission there—to join the Embassy of the Republic of China (Taiwan), the only other resident diplomatic mission in Funafuti (Pearlman 2018). It is also interesting to note that CCECC, the same Chinese company active in promoting the switch in Solomon Islands, recently set up shop in Tuvalu to undertake a refurbishment of the port. Nor is Nauru likely to contemplate recognising Beijing. Its ties to Australia run deep, not least because Canberra's offshore detention centre is located there, and its leaders expressed hostility to Beijing after heated interactions with Chinese officials when Nauru hosted the 2018 meeting of the PIF.

In his study of Pacific Islands regionalism, Greg Fry uses the idea of 'contingent power' to explain why 'Pacific island states have sometimes prevailed in shaping Pacific regionalism and at other times managed to mediate global discourses through regional action' (Fry 2019:230–322). Contingent power refers to:

Circumstances that, in certain combinations, can influence outcomes, and I am thus avoiding the conceptual trap of seeing power as a fixed capacity based on material factors and size (ibid.:320).

This concept can be applied to the issues discussed above. It might explain, for example, how Fiji was able to leverage the China factor and exercise autonomy when powerful actors were aligned against it and why some Pacific Island states are better positioned than others to resist attempts to influence their diplomatic choices. It also suggests that contingencies can place limits on a Pacific Island state's ability to leverage any particular situation to its advantage. Those Pacific Islands heavily dependent on a Western power—for example, through free association relationships—are less able to leverage competition between rival powers than those free of such entanglements. Small size or limited capacity can also be important contingent factors. For example, in retrospect, it is clear that two Chinese loans to Tonga—one to rebuild parts of Nuku'alofa destroyed by riots in 2006, and a second for road redevelopment outside the capital city—would prove problematic when it came time to repay the money. According to Rohan Fox and Matthew Dornan (2018), this debt distress and possible vulnerability to external influence was not a result of Beijing setting some kind of trap. Rather, it was a result of ill-informed or misinformed decisions by local decision-makers, egged on by Chinese companies that stood to gain from the resulting government contracts.

Peace and cooperation?

Great power competition is already impacting developments in the Pacific Islands region and the ability of Island states to manage or mediate those new forces for their own ends. But US–China competition is dynamic and how it develops in the future could alter the nature of power relations in the Pacific Islands region in profound ways. We would suggest that, in general, the more intense the US–China competition becomes the less likely that Island leaders will be able to exercise agency, preserve their independence and avoid committing to one side or the other. Here it is worth briefly exploring three areas of tension, each of which could escalate into armed conflict under certain circumstances, as well as the consequent implications for the Pacific Islands region.

The US–China stand-off in the South China Sea is likely to escalate in the short term and could even precipitate war. In large part this is because China regards its claims there to be core to its national defence and non-negotiable—and has constructed military facilities on reclaimed islands in the area to emphasise its resolve. Although it does not have any jurisdictional claims in the South China Sea, Washington sees these assertions as a direct challenge to the US-led rules-based order, to freedom of navigation principles and a significant impediment to its ability to project power in East Asia. The situation is further complicated by competing territorial or maritime claims to various parts of the area by Brunei, Taiwan, Malaysia, Indonesia, the Philippines and Vietnam. Despite its provocative freedom of navigation naval campaign, it is unclear whether the US would intervene in the event that one of the periodic altercations between Asian claimants and China turned violent. However, in March 2019, US Secretary of State Mike Pompeo invoked the mutual defence treaty to reassure Philippines leaders that the US would come to their aid if Philippine vessels or aircraft were attacked in the South China Sea (Fonbuena and Kuo 2019).

The situation regarding Taiwan is equally intractable. China has made it abundantly clear that the reintegration of what it regards as a renegade province is inevitable and President Xi has upped the ante with his nationalist China Dream rhetoric, backed by military instruments developed for this purpose. His speech on 2 January 2019 was remarkable not just for flagging a possible invasion, with the strange caveat that ‘Chinese don’t fight Chinese’, but for what it did not say. Rather than accommodating Taiwanese aspirations for autonomy, the version of the ‘one country, two systems’ outlined in Xi’s speech dropped any mention of preserving Taiwan’s armed forces or political institutions (Bush 2019). Despite ongoing influence attempts (Huang 2019) and a buy-out of Taiwan’s traditional media outlets by PRC-friendly businesses (Aspinwall 2019), anti-China sentiment has increased in Taiwan in recent years, influenced in part by ongoing protests in Hong Kong over alleged violations of the terms of its ‘one country, two systems’ arrangement with China. Any attempts to force the issue by military means, even using options that stop short of invasion, such as a blockade, are likely to meet with fierce resistance from the Taiwanese public as well as a well-trained and equipped military force. Most analysts agree that an all-out invasion would be logistically difficult and costly in human and material terms, even if the US were not involved (see, for example, Roy 2018). A key

question is how the US would respond in the face of Chinese military aggression directed across the Taiwan Strait. Support for Taiwan has increased significantly since the Trump administration assumed power, as well as in the US Congress where, according to Denny Roy, members ‘realise America’s leadership position in the region would be severely if not fatally compromised’ if the US declined to intervene. Yet there are few indications that the American public would support such a move. Furthermore, unlike some members of his administration, President Trump has focused almost entirely on his trade war with China, and at times seemed ambivalent about the value of US alliances in Asia (ibid.:6).

A third scenario concerns the possibility that China successfully concludes an agreement with a Pacific Island government to establish some sort of naval facility in the region. Although statements from Western allies, particularly Australia, suggest that such a development would be completely unacceptable, and the Step-Up initiative is designed to prevent it from happening, it is not clear what these powers would be prepared to do if it actually occurred. Perhaps it would depend, at least to some extent, on the nature and apparent purpose of the facility. Hugh White (2019b) argues that while establishing a Pacific base would be ‘a low-cost, low-risk way for China to show off its growing military and diplomatic reach and clout’, for Australia the costs of preventing it ‘might simply prove impossible to bear’. He goes on to suggest that it might be more feasible to focus on building military capabilities ‘that in war could neutralise Chinese bases in the South Pacific’. While White’s logic for *why* China might build a Pacific base (because it can) is sound, others point out his response assumes China would only use a fraction of its military force and opt not to use ballistic missiles against Australia, a nation where more than half of its citizenry live in three cities (Shoebidge 2019).

Conflict or the likelihood of conflict over issues relating to the South China Sea or Taiwan would impact the Pacific Islands region in significant ways. Those Island entities with defence relationships with the US would be directly implicated, particularly those with significant military facilities, like Guam, Marshall Islands and, to a lesser extent, CNMI and Palau. Under the terms of its compact agreement with the US, the Federated States of Micronesia might get drawn in too, should Washington decide this was necessary. At least in these cases, choice is not an option since Island leaders are already committed to the US side of any possible conflict. As noted before, Australia has declined to participate in US freedom of navigation exercises in the South China Sea. But there would be pressure

for Canberra to contribute if US–China competition escalated into armed conflict. If that were to happen, and if the redeveloped Manus Naval Base was operational, then Papua New Guinea could also be drawn in.

Escalation of US–China tensions, especially if conflict erupts, is likely to involve Pacific Island states even if they are not bound by defence agreements with a Western power. At the very least, Australia, New Zealand and the US would probably redouble their current efforts to persuade Pacific Island countries to support Western security imperatives, which, in their current form, means offering economic incentives to reduce dependency on Chinese loans and rebuff any attempts by Beijing to establish or expand military ties. It is not clear if the Western allies would adopt more drastic methods if current policies prove ineffective. After all, during the Cold War the US used some dubious tactics in the dispute with Palau over the nuclear-free clause in its constitution, delaying the passage of the compact of free association for decades until that provision was removed (see, for example, Parmentier 1991; Roff 1991). And Canberra's 2003 decision to lead the Regional Assistance Mission to the Solomon Islands (RAMSI), a massive interventionist effort, was made in the context of concerns about the regional security implications of the breakdown of law and order in that country, as well as in response to humanitarian considerations (see, for example, Kabutaulaka 2005). The establishment of a Chinese naval base in the Pacific would not necessarily lead to Australia and New Zealand reducing their involvement in the region. Instead, their outreach efforts might take radically different forms.

Despite China's impressive trade, aid and investment profile in the region, it is not clear how much influence Beijing actually has on decision-making in Pacific Island capitals. It is difficult to identify examples where China caused Island leaders to take actions they otherwise would not have taken or that were contrary to their expressed interests. Perhaps one example is Fiji's decision to close down Taiwan's trade office in Suva as a result of pressure from China (Tarte, Chapter 12). Another would be China's seizure of Chinese nationals from Fiji and Vanuatu, allegedly for internet crimes, but with apparent disregard for local legal norms and procedures. It is interesting to note that diplomatic efforts to have Pacific Island leaders speak out in favour of China's claims in the South China Sea in the aftermath of a negative decision in 2016 at the UNCLOS Permanent Court of Arbitration were largely unsuccessful. Only Vanuatu obliged and

officials there suggest that it did so in the context of its own disputes with neighbouring New Caledonia over rival claims to two uninhabited islands. There is little evidence to suggest that regional leaders seek to emulate a ‘China model’ of political or economic development, supporting the claim that China’s soft power influence in the region is limited (Herr 2019; Smith 2016). Indeed, some studies suggest that Pacific Island societies are more immediately impacted by the actions and interests of Chinese corporations than those of China’s government officials (Brant 2013; Dornan and Brant 2014; Smith 2013). Nevertheless, there have been situations in Australia and New Zealand, as well as in Palau, where Beijing has employed economic tools to exert influence. Such efforts could well increase as the US–China conflict intensifies and the support of other countries becomes more important to both sides. In the event of armed conflict, more direct action cannot be ruled out if Beijing regards key strategic interests to be at stake. After all, China has pursued key interests in the South China Sea with little regard for competing claims and almost universal condemnation from the international community.

Organisation of the book

The idea for this book emerged in early 2018 in conversations between the editors about the rapidly changing nature of China’s relationship with Pacific Island countries. A number of developments in the region suggested the beginning of a new, more intense, phase in the relationship and that there were numerous indications of growing unease in official circles in metropolitan countries, particularly Australia, about the political and strategic implications of China’s regional activities. Despite (or perhaps because of) unprecedented media attention to China’s involvement in regional affairs, we felt there was a pressing need for a rigorous reevaluation of prevailing academic and media narratives as well as policy assumptions.

We invited leading scholars to analyse key dimensions of the changing relationship between China and the Pacific Islands region and to explore the strategic, political, economic and diplomatic implications for regional actors. Draft chapters were submitted in December 2018 and authors assembled in Port Vila, Vanuatu, in February 2019 to critique each other’s work in a two-day workshop and hear feedback on project themes at a one-day public symposium held at the Emalus campus of the

University of the South Pacific (USP).⁴ *The China Alternative: Changing Regional Order in the Pacific Islands* consists of 16 chapters written by academics based in Solomon Islands, Fiji, Papua New Guinea, Australia, New Zealand, the United States and China, as well as an introduction by the editors. All contributions have been extensively revised in light of reviewers' comments.

The chapters in this book are framed by two keynote speeches delivered at the public symposium in Port Vila on 8 February 2019, one by Vanuatu Minister of Foreign Affairs Ralph Regenvanu, the other by Secretary General of the Pacific Islands Forum Dame Meg Taylor. These speeches serve as reminders that our focus should always be on the sovereign interests of those most directly impacted by geostrategic competition in the region. In the introduction, we attempt to place the interests and options of Pacific Island countries within a wider context of the emerging rivalry between large powers, paying particular attention to how many of the impacts of China's rise are mediated by the determination of the United States to contain that rise, as well as the policy dilemmas of Australia and New Zealand caught in between these giant rivals.

In the opening two chapters, Tarcisius Kabutaulaka discusses how Pacific leaders have developed the notion of 'the Blue Pacific' or 'the Blue Pacific Continent' as a conceptual vehicle to assert their agency in the face of competing narratives, and Terence Wesley-Smith explores the proposition that escalating US–China competition represents a new Cold War with direct and indirect implications for Pacific Island interests. The following four chapters by Merriden Varrall, Iati Iati, Gerard Finin and Nic Maclellan examine how Australia, New Zealand, the US and France, respectively, have reshaped their policies in response to China's increased profile in the Pacific Islands region. Zhou Fangyin examines

4 The China Alternative project was co-sponsored by the Department of Pacific Affairs (DPA), The Australian National University, and the Center for Pacific Islands Studies (CPIS), University of Hawai'i, at Manoa. We are grateful for support received from our respective institutions, as well as additional funding from CPIS National Resource Center (NRC) grant; an ANU College of Asia and the Pacific Strategic Partnership Development Grant; and an ANU Asia Pacific Innovation Program grant. The public symposium in Port Vila was generously hosted on the USP campus by Dr Joseph Foukona, who worked with Dr Tarcisius Kabutaulaka (CPIS) to plan the event. Lea Giacomelli (DPA) and James Viernes (CPIS) worked tirelessly to ensure that we all got to Vanuatu in February 2019 and that the workshop and symposium went smoothly. Special thanks to all the insightful contributors to the volume, to Sarah Jost and Cathy Johnstone who worked long and hard on copyediting all the chapters, and to Emily Tinker for shepherding the manuscript through the publication process at ANU Press under difficult circumstances.

China's regional engagement and argues against the proposition that Beijing has singled out the Pacific Islands for special attention. Denghua Zhang looks at some of China's recent bureaucratic reforms and how these might impact the delivery of aid to the region. Henryk Szadziwski rounds out this cluster of China-centred chapters by examining the implications of the inclusion of Oceania in Beijing's massive Belt and Road Initiative with its emphasis on infrastructure development along the 21st Century Maritime Silk Road.

The next two chapters examine aspects of a key challenge associated with China's regional rise and the increased pressure on Taiwan's allies in the region to switch their recognition to Beijing in the face of countervailing pressure from Western countries as well as Taipei. Transform Aqorau looks at how these factors played out in Solomon Islands, the largest of Taipei's allies, resulting in a decision to switch recognition to Beijing, and suggests that the country's governance institutions are not yet ready to effectively manage relations with the Asian giant, especially since its natural resources are already at risk through overexploitation. Jessica Marinaccio, on the other hand, examines how Taipei has emphasised an Austronesian identity to support its diplomatic relations with Pacific Island countries, with particular attention to how well this approach has worked in Tuvalu, the smallest of Taiwan's Pacific partners.

In the two country-level case studies that follow, Sandra Tarte analyses the evolving relationship between China and a key regional actor, Fiji, while Sarah O'Dowd looks at the pros and cons for Papua New Guinea of China's Belt and Road Initiative. The next three chapters focus on the Chinese communities that have sprung up in Pacific places in recent years, as well as their occasionally uneasy relationships with local populations. Fei Sheng and Graeme Smith report on their research with Chinese nationals in Vanuatu, while Patrick Matbob surveys a long history of distrust between Chinese traders and local communities in Papua New Guinea. In the final chapter, Laurentina Barreto Soares discusses how overseas Chinese have engaged with local communities in Timor Leste and how this relates to China's soft power diplomacy there. Although Timor Leste is not a member of the PIF, the fact that its leaders increasingly identify with the Pacific Islands region, and that its experience with China has many parallels in Oceania, justify the inclusion of Barreto Soares's case study in this book.

Concluding comments

This is a pivotal moment in global politics as states around the world try to understand the nature of the escalating rivalry between the US, the dominant global power since World War II, and China, by far its most formidable competitor, and identify key implications for their own national interests. The small states of the Pacific Islands region are no exception, especially given their deep entanglements with Western powers since the dawn of the colonial era. Although the region is unlikely to become a major focal point of this great power struggle any time soon, Island states are already experiencing its by-products as China's regional profile increases and traditional partners manoeuvre to maintain their influence. Furthermore, changing Western foreign policies towards the Pacific Islands reflect not just developments in the region itself, but what is happening on the front lines of the conflict, particularly in the South China Sea and the Taiwan Strait, where the US and China vie for leadership in East Asia. In a type of policy displacement or transference, Pacific Island states feel the effects of mounting anxieties in Australia and New Zealand about balancing their own relationships with the US, their main security partner, and China upon which their economies depend.

Greg Fry suggests that 'when the West sees a threat to its interests in the Pacific at a time of global rivalry, the Pacific Island states have greater bargaining power' (Fry 2019:323). As we can see from recent developments, there is much evidence to support this assertion. China's rise has given Island states more options and opportunities for trade, aid and investment, and Western powers are adding further resources in an attempt to retain their influence. Some Pacific Island states, like Fiji, have leveraged China's presence to further their own agendas, while others are enjoying material benefits they might not otherwise have received. Still others, like the freely associated states in the north Pacific, can look forward to greater leverage as negotiations with the US for compact renewal get under way. Yet the successful application of this bargaining power is contingent on a complex array of factors. Because of their strategic locations, as well as military and other connections to the US, Guam, CNMI, Palau, the Marshall Islands and Federated States of Micronesia have less room to manoeuvre when it comes to negotiating relations with China than Pacific Island entities without such entanglements. Furthermore, some Island governments may have greater capacity than others to manage relations with large external

powers. This seems to have been the case when Tonga negotiated large loans from China and is certainly Transform Aqorau's major concern about Solomon Islands' switch from Taiwan to China.

A major factor in all of this, however, is the priority that larger powers give to their policies in the Pacific Islands region and it is fair to assume that strategic and defence concerns receive the most attention. For example, Australia was prepared to devote massive resources to its RAMSI initiative largely because regional security considerations were involved, and the US was determined that Palau's constitutional provisions were not going to be allowed to interfere with its ability to operate nuclear-powered or armed vessels in this strategically important part of the ocean. The current heightened engagement of the Western powers is driven by concerns about regional security and the possible establishment of a Chinese base. At the moment, the tools of persuasion are diplomatic and economic in nature and it is too early to tell how effective they will be as great power competition intensifies.

As presently constituted, Australia's Step-Up policy faces challenges given significant differences with Pacific Island leaders on regional security priorities, and divergence on climate change mitigation (Hayward-Jones 2019). How far would Western powers be prepared to go if current policies prove inadequate? What we have seen so far are mainly positive inducements to influence decisions in Island countries, but could these be turned into threats to withdraw support or even impose sanctions?

The same question might be asked about China's involvement in the region. How far would Beijing be prepared to go if strategic planners decided to make acquiring a naval base in the Pacific Islands a priority? Or to defend such a facility once it was established? Despite a recent history of effective and assertive diplomacy and the powerful symbolism of the Blue Pacific narrative, it seems unlikely that Island governments could easily resist, manage or leverage competing pressures of that nature. In other words, Fry may be correct that the bargaining power of Pacific Island states increases when larger powers compete, but there are limits to that power once the competition reaches a certain level of intensity.

Pandemic politics: An update⁵

In December 2019, a new coronavirus was detected in the city of Wuhan in central China that spread rapidly throughout the world. By early June 2020, more than 6 million cases of COVID-19 had been reported to the World Health Organization (WHO) and 370,000 deaths attributed to the virus, with the number of casualties continuing to rise. Government containment measures are likely to reduce the global gross domestic product (GDP) by a rate ‘approaching the level of economic contraction not experienced since the Great Depression of the 1930s’ (CRS 2020:4). The pandemic has also altered the dynamics of US–China relations and escalated strategic competition to a new and dangerous level. This has further implications for Pacific Island countries already dealing with the health and economic impacts of the COVID-19 crisis. The pandemic adds additional layers of uncertainty for the region as external competition takes new forms, the possibility of spillover from conflict zones in the broader Asia-Pacific region increases and Pacific Island countries seek to leverage additional economic support.

The pandemic has significantly impacted the economies of both the US and China and amplified the economic dimensions of their competition. The International Monetary Fund projects that the US economy will contract by 5.9 per cent in 2020, about twice the rate of decline experienced after the financial crisis in 2009, with double-digit unemployment projected to persist into 2021 (CRS 2020:6). China’s economy shrank by an estimated 6.8 per cent in the first quarter of 2020, the first retrenchment since the end of the Cultural Revolution in 1976, with a real unemployment rate as high as 20 per cent (SCMP Reporters 2020a; Huifeng 2020). In his report to the annual Two Sessions high-level meetings in May 2020, Premier Li Keqiang declined to set a target for GDP growth in the coming year (SCMP Reporters 2020b). However, the ultimate result may be to further tilt the economic balance in China’s favour. With the twin advantages of reopening sooner than other countries and centralised control of resources, China may be able to recover relatively quickly, though lags in overseas demand will require greater emphasis on domestic consumption. Massive government interventions

5 The manuscript for this collection was awaiting publication at ANU Press when the global significance of the coronavirus pandemic became apparent. This short addition to the volume’s introduction was written in early June 2020 in order to identify some implications of COVID-19 for key themes dealt with in the book.

to limit the immediate damage to the US economy have ballooned the federal debt and deficit, which may hinder economic growth for years to come (Tellis 2020:2–3). If economic capacity is the essence of great-power rivalry, the real test will be China's ability to make further gains in the race for control of high technology, as Western countries accelerate efforts to decouple their economies and exclude key components, such as semiconductors, from Chinese supply chains.

COVID-19 challenged the domestic political positions of both President Xi Jinping and President Donald Trump and gave them an excuse to target each other. Xi was notably absent when the epidemic first emerged in Wuhan, only taking charge after public distress and anger had escalated significantly. Probably more important for Xi's hold on power were the economic shocks associated with the virus and their implications for the standard of living of Chinese citizens. As Minxin Pei notes, China's economy was already slowing down and 'the CCP has relied heavily on economic overperformance to sustain its legitimacy' (Pei 2020:3). Meanwhile, Trump was roundly criticised for his handling of the pandemic, which the medical journal *The Lancet* described as 'inconsistent and incoherent' (The Lancet 2020:1521). By early June, the US had recorded 1.9 million cases and 109,000 deaths, making it the epicentre of the global pandemic, and Trump's approval was dropping in the polls. Trump's efforts to hasten the reopening of the economy before the virus was contained amounted to a desperate attempt to revive his chances in the November 2020 presidential election. Both leaders tried to deflect blame, with Xi putting the focus on local party officials and Trump attempting to make state governors responsible for managing the crisis. They both also ramped up already heated nationalistic rhetoric to redirect public anger overseas.

As pro-nationalist forces gain ground within the CCP, China's military has become increasingly active in disputed parts of the South China Sea, and the US has responded with more frequent 'freedom of navigation' sorties through China's marine periphery (Starr and Browne 2020; Wu 2020). Tensions over the future of Taiwan increased in May 2020 as US Secretary of State Mike Pompeo publicly congratulated Tsai Ing-Wen on her landslide reelection as Taiwan's president, and there were reports of increased pressure on President Xi to commence military action against Taiwan, assuming that a weakened US would be unwilling to intervene (Chan 2020; Chung and Zheng 2020). Though the chances of direct US–China military conflict in the South China Sea or Taiwan Straits

remain remote, opportunities for costly miscalculations have increased and the long-term impact of the economic downturn on the military budgets of both countries is unclear (Tellis 2020:3). Meanwhile, the Trump administration has weaponised the pandemic, accusing Beijing of failing to contain the Wuhan outbreak and concealing its severity. In an extraordinary move, in May 2020 Trump announced that the US would withdraw from the WHO, which he claimed had been hijacked by Beijing, further reducing the opportunity for a coordinated international response to the ongoing global health crisis. Additionally aggravating the conflict were US threats to withdraw recognition of Hong Kong's special status as Beijing 'beat the drums of Chinese nationalism' in a series of moves designed to increase its direct control of the territory in the face of the ongoing prodemocracy movement there (Fong 2020).

Rising US–China military tensions have obvious implications for those Island places essential to US strategic networks, especially Guam. They also provide further impetus for US efforts to renegotiate compacts of free association in the Federated States of Micronesia, Marshall Islands, and Palau, and for Australia to hasten the implementation of the strategic components of its Pacific Step-Up initiative. In the context of COVID-19, the Australian Department of Foreign Affairs and Trade announced it had 'paused work on a new development policy' and was placing 'a clear priority on our near neighbours, particularly the Pacific, Timor-Leste and Indonesia' (DFAT 2020). Those Island countries that continue to recognise Taipei remain firmly in the spotlight, as the struggle over Taiwan's political status and access to international organisations, such as the WHO, takes centre stage in US–China strategic competition.

Medical assistance provides a new arena for great power competition. President Trump has made no attempt to organise an international response to the pandemic, while Beijing has sought to improve its damaged global reputation through medical outreach to countries struggling to deal with the virus. Since mid-March 2020, China has deployed health workers, equipment and medical advice along a 'Health Silk Road', so-named to enhance President Xi's assertion of global leadership through his signature Belt and Road Initiative (Lancaster et al. 2020). It is unlikely that this form of diplomacy will have a lasting impact on China's image overseas, especially in the context of the more aggressive approach recently adopted by Chinese diplomats. There is no indication that the leaders accepting medical assistance will be any more attracted to a China governance model already marred by reports of human rights abuses in Xinjiang and Tibet,

as well as the abrupt imposition of a national security law in Hong Kong. It is also clear that the reputation of the US has nosedived as a result of its incompetent handling of the pandemic. That there are no apparent ideological winners in this phase of the new cold war is perhaps not surprising, since both leaders are primarily focused on domestic audiences: Xi on the CCP elites and Trump on his loyal base in the Republican Party (Gill 2020).

Meanwhile, health diplomacy has been on full display in the Pacific Islands region. When the virus threat emerged, Pacific Island countries moved quickly to close their international borders, and by early June 2020 only Fiji, French Polynesia, New Caledonia and Papua New Guinea had reported cases of COVID-19 (Buhre 2020; McGarry and Newton Cain 2020). However, the economic damage to the region is severe, especially among states heavily reliant on tourism or remittances. In a somewhat belated attempt to respond collectively to the pandemic, Pacific Island leaders invoked the Biketawa Declaration on regional security and in April 2020 established the Pacific Humanitarian Pathway. The pathway's goal of 'enabling the provision of medical and humanitarian assistance ... in a timely, safe, effective and equitable manner' has faced some challenges as development partners, including China, Taiwan, Australia, New Zealand and the US, tend to favour bilateral over multilateral approaches to compete for influence (Blanchard 2020; Maclellan 2020; PIF 2020).

China was quick to see the opportunity for COVID-19 diplomacy in the region, convening a videoconference in early March with leaders from the 10 Island countries that recognise Beijing in order to share medical advice and offer support. Chinese companies, philanthropic organisations and local Chinese communities have complemented government efforts with their own donations and shipments of medical supplies (Pryke and McGregor 2020; Zhang 2020). These initiatives brought a strange echo of the Luganville wharf controversy in Vanuatu, with defence sources claiming that a plane chartered by CCECC to deliver aid prevented an Australian air force plane from delivering humanitarian relief (Galloway 2020). Despite these aid efforts, travel restrictions may hurt some of China's leading contractors in the region, particularly those that have failed to localise their workforces. Many workers travelled home for Chinese New Year and have been unable to return to their project sites, putting numerous construction projects in jeopardy. The China Council for the

Promotion of International Trade has issued *force majeure* certificates to affected Chinese enterprises to assist them in avoiding liability for stalled projects, but it is doubtful these will hold up in local courts (Erie 2020).

Australia remains eager to be seen as the ‘partner of choice’ in the region, especially after US Secretary of State Mike Pompeo and Australian Prime Minister Scott Morrison agreed that Australia would focus its COVID-19 relief efforts on the South Pacific while the US would direct most of its aid to the American-affiliated islands in the northern Pacific (MacLellan 2020; US Department of State 2020). Australia has leaned further towards US policy positions during the pandemic, speaking out about the need for an independent inquiry into the Chinese origins of the virus and even sending a frigate to participate in a joint exercise in the South China Sea (Power 2020; Wong 2020). This has not prevented Australia from becoming collateral damage in the US–China trade war, however. In the same week Beijing announced it would be importing more beef and barley from the US under the Phase 1 trade deal, it slapped restrictions on Australia’s beef and barley exports that will cost farmers over AU\$2 billion. Canberra’s outspokenness provided cover for these actions, helped by most Australian media outlets accepting Beijing’s narrative that Australia was being punished for its temerity.

COVID-19 has demonstrated the susceptibility of Pacific Islands to global health crises and their relatively vulnerable positions in the global economy. As Island leaders contemplate the post-pandemic future, they will be looking for financial assistance to hasten the economic recovery of their countries. Their ability to win concessions by leveraging increased competition between external powers remains to be seen. Western countries are still eager to head off China’s attempts to increase its regional influence, but will have to balance enhancements of their Pacific aid budgets against pressures to attend to urgent domestic needs. China faces similar tensions, and it is unclear whether it will be able to pursue its Belt and Road Initiative with the same vigor as before. Indeed, some Pacific Island countries that have borrowed heavily from China, including Tonga and Vanuatu, will probably join other countries in the Global South in requesting that existing loans be forgiven or renegotiated (Abi-Habib and Bradsher 2020). If military tensions in the South China Sea or Taiwan Strait cause protagonists to harden their positions in Pacific locations where key interests are judged to be at stake, then the strings attached to offers of support may become more explicit.

The COVID-19 pandemic has heightened existing tensions between the US and China, and, as Ashley Tellis (2020) put it, ‘COVID-19 knocks on American hegemony’ in the international system. While the ultimate outcome of this grand geopolitical rivalry remains unclear, states around the world, including those in the Pacific, are obliged to deal with new levels of strategic uncertainty and economic insecurity, and navigate between fiercely competing external powers as best they can. In early 2019, Dame Meg Taylor (in this volume) outlined the challenge for the region in explicit terms: ‘Our political conversations and settlements must be driven by the wellbeing of our Blue Pacific continent and its people, not by the goals and ambitions of others’. COVID-19 has made that challenge more pertinent, as well as more difficult to achieve.

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